

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



24TH DISTRICT AGRICULTURAL ASSOCIATION
TULARE COUNTY FAIR
TULARE, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

AUDIT REPORT #08-023
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

24TH DISTRICT AGRICULTURAL ASSOCIATION
TULARE COUNTY FAIR
TULARE, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

AUDIT STAFF

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Audit Chief
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Auditor
Auditor

AUDIT REPORT NUMBER

#08-023

24TH DISTRICT AGRICULTURAL ASSOCIATION
TULARE COUNTY FAIR
TULARE, CALIFORNIA

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report.....	1
Financial Statements.....	3
Notes to the Financial Statements	6
Report Distribution	11



CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Mr. Peter Alvitre, President
Board of Directors
24th DAA, Tulare County Fair
215 Martin Luther King
Tulare, California 93274

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the 24th District Agricultural Association (DAA), Tulare County Fair, Tulare, California, as of December 31, 2007 and 2006, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the 24th DAA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

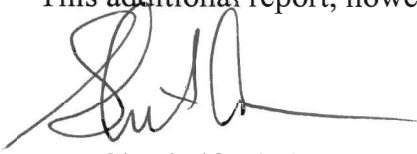
We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 24th DAA, Tulare County Fair, as of December 31, 2007 and 2006, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The 24th DAA, Tulare County Fair has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #08-023, on the 24th DAA's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the 24th DAA as appropriate. This additional report, however, is not a required part of the basic financial statements.

A handwritten signature in dark ink, appearing to read 'Ron Shackelford', with a long horizontal flourish extending to the right.

For Ron Shackelford, CPA
Chief, Audit Office

May 16, 2008

**24TH DISTRICT AGRICULTURAL ASSOCIATION
TULARE COUNTY FAIR
TULARE, CALIFORNIA**

**STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2007 and 2006**

	Account Number	2007	2006
ASSETS			
Cash in Bank	111 - 118	\$ 446,284	\$ 408,352
Accounts Receivable, Net	131	67,541	69,365
Deferred Charges	143	1,557	4,895
Construction in Progress	190	0	3,874
Land	191	489,069	489,069
Buildings and Improvements, Net	192	1,393,533	1,472,799
Equipment, Net	193	28,913	8,445
TOTAL ASSETS		<u>2,426,898</u>	<u>2,456,799</u>
LIABILITIES AND NET RESOURCES			
Liabilities and Other Credits			
Accounts Payable & Other Payable	212, 214.02	82,902	49,524
Current Portion of Long Term Debt	212.5	30,186	38,869
Taxes Payable	221 - 226	2,193	5,151
Deferred Income	228	25,690	17,095
Guaranteed Deposits	241	400	200
Compensated Absences Liability	245	68,966	60,603
Long Term Debt	250	140,180	170,366
Total Liabilities and Other Credits		<u>350,517</u>	<u>341,808</u>
Net Resources			
Reserve for Junior Livestock Auction	251	67,700	50,636
Net Resources - Operations	291	267,531	299,403
Net Resources - Capital Assets	291.1	1,741,149	1,764,952
Total Net Resources Available		<u>2,076,381</u>	<u>2,114,991</u>
TOTAL LIABILITIES AND NET RESOURCES		<u>\$ 2,426,898</u>	<u>\$ 2,456,799</u>

**24TH DISTRICT AGRICULTURAL ASSOCIATION
TULARE COUNTY FAIR
TULARE, CALIFORNIA**

**STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY
Years Ended December 31, 2007 and 2006**

	Account Number	2007	2006
REVENUE			
State Apportionments	312	\$ 155,000	\$ 155,000
Other F&E Project Funds	318	3,874	14,980
Other Non-Operating Funds	340	75,103	11,667
Admissions	410	429,081	426,413
Commercial Space	415	74,205	78,270
Carnival	421	243,167	238,365
Food Concessions	422	134,412	119,843
Exhibits	430	16,523	17,035
Great Western Livestock Show	440	39,748	44,171
Satellite Wagering	450	185,373	201,602
Attractions - Fairtime	460	57,213	56,750
Miscellaneous Fair	470	202,700	215,488
JLA Revenue	476	41,681	26,791
Non-Fair Revenue	480	305,241	287,255
Prior Year Adjustment	490	3,592	-
Other Revenue	495	10,829	6,780
Total Revenue		<u>1,977,742</u>	<u>1,900,410</u>
EXPENSES			
Administration	500	396,925	376,348
Maintenance and Operations	520	546,989	481,361
Publicity	540	72,749	72,787
Attendance	560	106,636	102,936
Miscellaneous Fair	570	25,642	93,506
Miscellaneous Interim Expense	571	139,135	68,949
JLA - Expense	576	24,618	14,528
Premiums	580	44,982	39,607
Exhibits	630	46,230	50,831
Great Western Livestock Show	640	76,681	71,015
Satellite Wagering Expense	650	198,825	214,491
Attractions - Fairtime	660	243,382	254,560
Non-Capitalized Expenditures	723	2,531	-
Prior Year Adjustments	800	(8,117)	59,427
Cash Over/Short from Ticket Sales	850	240	3,030
Depreciation Expense	900	88,858	82,846
Non-Capitalized Millennium Flex	945	10,049	11,667
Total Expenses		<u>2,016,353</u>	<u>1,997,889</u>
RESOURCES			
Net Change - Income / (Loss)		(38,610)	(97,480)
Resources Available, January 1		2,114,991	2,212,471
Resources Available, December 31		<u>\$ 2,076,381</u>	<u>\$ 2,114,991</u>

**24TH DISTRICT AGRICULTURAL ASSOCIATION
TULARE COUNTY FAIR
TULARE, CALIFORNIA**

**STATEMENTS OF CASH FLOWS - REGULATORY BASIS
Years Ended December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of Revenue Over Expenses (Expenses Over Revenue)	\$ (38,610)	\$ (97,480)
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	1,824	(11,713)
(Increase) Decrease in Deferred Charges	3,338	(2,985)
Increase (Decrease) in Deferred Income	8,595	785
Increase (Decrease) in Accounts Payable	33,378	12,465
Increase (Decrease) in Current Portion of Long-Term Liability	(8,682)	19,434
Increase (Decrease) in Taxes Payable	(2,958)	(647)
Increase (Decrease) in Compensated Absence Liability	8,363	(18,941)
Increase (Decrease) in Guarantee Deposits	200	(200)
Total Adjustments	<u>44,057</u>	<u>(1,802)</u>
Net Cash Provided (Used) by Operating Activities	<u>5,447</u>	<u>(99,281)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) Decrease in Construction in Progress	3,874	10,198
(Increase) Decrease in Buildings & Improvements	79,266	64,272
(Increase) Decrease in Equipment	<u>(20,468)</u>	<u>3,580</u>
Net Cash Provided (Used) by Investing Activities	<u>62,672</u>	<u>78,050</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Long-Term Liability	<u>(30,186)</u>	<u>34,326</u>
Net Cash Provided (Used) by Financing Activities	<u>(30,186)</u>	<u>34,326</u>
NET INCREASE (DECREASE) IN CASH	37,932	13,095
Cash at Beginning of Year	408,352	395,257
CASH AT END OF YEAR	<u><u>\$ 446,284</u></u>	<u><u>\$ 408,352</u></u>

**24TH DISTRICT AGRICULTURAL ASSOCIATION
TULARE COUNTY FAIR
TULARE, CALIFORNIA**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The 24th District Agricultural Association (DAA) was formed June 30, 1936, for the purpose of sponsoring, managing, and conducting the Tulare County Fair each year in Tulare, California. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to the DAA. The DAA is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative Manual, and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

The State of California allocates funds annually to the DAA's to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the DAA conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The DAA's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges.

The DAA's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the

reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The DAA is a state agency and therefore, is exempt from paying taxes on its income.

Cash and Cash Equivalents - The DAA's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the DAA approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the DAA is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Property and Equipment - Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are capitalized and depreciated. Buildings and improvements are depreciated over a period of 30 years, and purchases of equipment are depreciated over five years. Amounts spent on repair and maintenance costs are expensed as incurred by the Fair. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the useful lives identified above. Amounts spent on projects that have not been placed in service are recorded in Account #190, Construction-in-Progress and no depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Sales Taxes – The State of California imposes a sales tax on all of the DAA's sales of merchandise. The DAA collects that sales tax from customers and remits the entire amount to the state Board of Equalization. The DAA's

accounting policy is to exclude the tax collected and remitted to the State from revenues and cost of sales.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

NOTE 2 CASH AND CASH EQUIVALENTS

The following list of cash and cash equivalents were held by the DAA as of December 31:

	<u>2007</u>	<u>2006</u>
Petty Cash	\$ 150	\$ 150
Change Funds	8,320	300
Cash in Bank - Operating	257,028	241,428
Cash in Bank - Premium	5,088	9,689
Cash in Bank - Payroll	8,456	8,369
Cash in Bank - JLA	46,367	33,599
Cash in Bank – LAIF	<u>120,875</u>	<u>114,817</u>
 Total Cash and Cash Equivalents	 <u><u>\$ 446,284</u></u>	 <u><u>\$ 408,352</u></u>

NOTE 3 ACCOUNTS RECEIVABLE

The DAA is required to record an allowance for doubtful accounts based on estimates of collectibility.

	<u>2007</u>	<u>2006</u>
Accounts Receivable - Trade	\$ 64,939	\$ 67,266
Accounts Receivable - JLA	19,020	21,891
Allowance for Doubtful Accounts	<u>(16,418)</u>	<u>(19,792)</u>
 Accounts Receivable - Net	 <u><u>\$ 67,541</u></u>	 <u><u>\$ 69,365</u></u>

NOTE 4 PROPERTY AND EQUIPMENT

Buildings and improvements, and equipment at December 31, 2007 and 2006 consist of the following:

	2007	2006
Building & Improvements	\$3,370,276	\$3,370,276
Less: Accumulated Depreciation	(1,976,743)	(1,897,478)
Building & Improvements - Net	<u>\$1,393,533</u>	<u>\$1,472,799</u>
 Equipment	 \$ 189,076	 \$ 159,015
Less: Accumulated Depreciation	(160,163)	(150,570)
Equipment - Net	<u>\$ 28,913</u>	<u>\$ 8,445</u>

NOTE 5

LONG-TERM DEBT

F & E Financial Assistance Loan

The DAA has entered into a long-term loan agreement with Division of Fairs & Expositions to finance aged payables that were 61 days or older. The terms of the agreement are as follows:

F&E Loan:

Loan Amount	\$ 194,344
First Payment Date	2003
Payment Amount	\$ 19,434
Duration of Loan	120 Months
Interest Rate	Zero, Principle Only
Total Outstanding at 12/31/07	\$ 116,606
 Current Portion at 12/31/07	 \$ 19,434
Long-Term Portion at 12/31/07	\$ 97,172

California Authority of Racing Fairs (CARF) Payment

The DAA has entered into a long-term loan agreement with CARF to finance previously disputed outstanding amount of \$ 53,760 from 1999-2002 for the replacement of aged equipment in the 24th DAA's Satellite Wagering Facility. The terms of the agreement are as follows:

CARF Loan:

Loan Amount	\$ 53,760
First Payment Date	January 1, 2008
Payment Amount	\$ 10,752
Duration of Loan	60 Months
Interest Rate	Zero, Principle Only
Total Outstanding at 12/31/07	\$ 53,760
 Current Portion at 12/31/07	 \$ 10,752
Long-Term Portion at 12/31/07	\$ 43,008

NOTE 6

RETIREMENT PLAN

Permanent employees of the DAA are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the DAA and its employees are actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued. The DAA's share of retirement contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California.

Retirement benefits fully vest after five years of credited service for Tier I employees. Retirement benefits fully vest after ten years of credited service for Tier II employees. Upon separation from State employment, members' accumulated contributions are refundable with interest credited through the date of separation. The DAA, however, does not accrue the liability associated with vested benefits.

The Alternate Retirement Program (ARP) is a retirement savings program that certain employees hired on or after August 11, 2004 are automatically enrolled in for their first two years of employment with the State of California. ARP is administered by the Savings Plus Program with the Department of Personnel Administration and invests funds in a fixed-income fund. ARP provides two years of retirement savings (five percent of paycheck amount each month) in lieu of two years of service credit. At the end of the two-year period, the deductions are placed in CalPERS and the retirement service credit begins.

Temporary, 119-day, employees of the DAA participate in the Part-Time, Seasonal, Temporary (PST) Retirement Plan. The PST Retirement Plan is a mandatory deferred compensation plan under which 7.5% of the employee's gross salary is deducted before taxes are calculated. These pre-tax dollars are placed in a guaranteed savings program. The employee has the option of leaving these funds on deposit upon separation, or requesting a refund.

NOTE 7

RECLASSIFICATION

Certain prior-year balances have been reclassified to conform to current year presentation. This reclassification did not have an effect on net income.

**24TH DISTRICT AGRICULTURAL ASSOCIATION
TULARE COUNTY FAIR
TULARE, CALIFORNIA**

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 24th DAA Board of Directors
1	Chief Executive Officer, 24th DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



24TH DISTRICT AGRICULTURAL ASSOCIATION
TULARE COUNTY FAIR
TULARE, CALIFORNIA

MANAGEMENT REPORT #08-023

YEAR ENDED DECEMBER 31, 2007

24TH DISTRICT AGRICULTURAL ASSOCIATION
TULARE COUNTY FAIR
TULARE, CALIFORNIA

MANAGEMENT REPORT
YEAR ENDED DECEMBER 31, 2007

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Alicia Lauron, CPA
Hardeep Kaur

Audit Chief
Assistant Audit Chief
Auditor
Auditor

MANAGEMENT REPORT NUMBER
#08-023

TABLE OF CONTENTS

	<u>PAGE</u>
MANAGEMENT LETTER.....	1
REPORTABLE CONDITIONS	3
ATM Reconciliation.....	3
Bank Reconcilations.....	3
Personnel	4
Junior Livestock Auction	4
Standard Agreements	5
Sponsorship Agreements.....	5
NON-REPORTABLE CONDITIONS	6
UncaShed Checks.....	6
Cash Receipts	6
DISTRICT AGRICULTURAL ASSOCIATION’S RESPONSE	7
CDFA EVALUATION OF RESPONSE.....	10
DISPOSITION OF AUDIT RESULTS.....	11
REPORT DISTRIBUTION	12



CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Mr. Peter Alvitre, President
Board of Directors
24th DAA, Tulare County Fair
215 Martin Luther King
Tulare, California 93274

In planning and performing our audit of the financial statements of the 24th District Agricultural Association (DAA), Tulare County Fair, Tulare, California, for the year ended December 31, 2007, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Tulare County Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the 24th DAA's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the 24th DAA's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute, assurance that: (1) only authorized transactions are executed; (2) transactions are properly



recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the 24th DAA in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The 24th DAA's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the 24th DAA's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the 24th DAA and compliance with state laws and regulations, we identified six areas with reportable conditions that are considered weaknesses in the Fair's operations: ATM reconciliation, bank reconciliations, personnel, junior livestock auction, standard agreements, and sponsorship agreements. We have provided eight recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

We also identified additional areas containing non-reportable conditions. These conditions and accompanying recommendations are not considered significant weaknesses. We have included these items solely for the benefit of the 24th DAA's management. We suggest the Fair implement the recommendations as soon as practicable. The Fair, however, is not required to provide written responses to the recommendations for non-reportable conditions.

REPORTABLE CONDITIONS

ATM RECONCILIATION

The Fair's internal controls over its administration of the automated teller machine (ATM) located on the fairgrounds should be strengthened to minimize its exposure to loss. Our office noted that the Fair did not perform a monthly reconciliation of the ATM transactions, bank activity, and the amounts recorded in the ATM change fund. As a result, the Fair could not support the balance recorded in the general ledger.

Recommendation

1. *The Fair should complete a timely monthly ATM reconciliation that includes all monthly transactions, machine print outs, recorded change balances, and bank account reconciled balances. This will ensure that all ATM deposits and disbursements agree with entries in the general ledger, and that amounts reported for financial statements are accurate.*

BANK RECONCILIATIONS

The Fair's bank reconciliations were analyzed for the audit period and the following conditions were identified:

- a. The Fair did not adequately prepare the bank reconciliations for its payroll and junior livestock auction (JLA) bank accounts. Our office noted the Fair's reconciliations did not contain sufficient detail, such as cleared deposits, cleared checks and transfers that would facilitate their review and provide clear transparency over the transactions that occurred during the month. The purpose of bank reconciliations is (i) to ensure the paid checks and deposits are reconciled with the entries in the cash disbursements and receipts journals, (ii) to identify all current outstanding checks, and (iii) to provide a comparison of bank balances to accounting records to aid in the identification of discrepancies from potential errors. According to the Accounting Procedures Manual (APM), all bank account reconciliations should be prepared within ten days of receiving the bank statement.
- b. The Fair did not always initial and date bank reconciliations for several cash accounts. For instance, our office noted operating account's bank reconciliations were signed by the preparer; however it was not signed and dated by the reviewer to demonstrate that review was performed. According to the APM all bank account reconciliations should be reviewed, dated, and signed by the Fair's Chief Executive Officer or other accountable employee to demonstrate a sufficient review has taken place.

Recommendations

2. *The Fair should prepare bank reconciliations for Payroll and JLA bank accounts with sufficient detail in accordance with the format specified in the Accounting Procedures Manual.*

3. *The Fair should improve its controls over cash management by analyzing and approving all bank reconciliations in a timely manner. Furthermore, someone other than the preparer should review and approve the reconciliations to ensure their accuracy and timeliness.*

PERSONNEL

Review of employee files, payroll calculations, vacation/sick leave, and overtime records, as verified to time cards, Absence and Additional Time Worked Reports, revealed the following issues:

- a. The Fair allowed two employees to maintain excessive compensated leave balances. These employees had leave balances of 826 and 856 hours at year-end. The Department of Personnel Administration limits the number of hours that permanent employees may carryover to the following calendar year to a maximum of 640 hours. This was a prior year audit finding.
- b. The Fair allowed four temporary employees to work in excess of the 119-day limitation within a calendar year. Although the Fair monitored the number of days worked by each temporary employee, these employees worked ranging from 133 days to 185 days in 2007. This could result in the employees not being exempt from civil service. According to the Constitution of the State of California, Article VII, Section 4(1), officers and employees of district agricultural associations employed less than six months in a calendar year are exempt from civil service. Temporary employees are not covered by civil service laws; therefore, temporary employees working six months or more in a calendar year may not be exempt from civil service law. Six months equates to 120 days considering a five-day work week regardless of the number of hours worked in a day. Furthermore, the APM states that temporary employees may not work more than 119 days in a calendar year.

Recommendation

4. *The Fair should ensure that permanent employees do not carryover accrued leave hours in excess of 640 hours. The Fair should encourage employees with excess balances to take time off, thereby reducing their accumulated leave balances.*
5. *The Fair should comply with the State Constitution and DPA rules and regulations by ensuring temporary employees do not work in excess of the 119-day limitation.*

JUNIOR LIVESTOCK AUCTION

The Fair did not accrue approximately \$11,700 in commissions from the 2007 Replacement Heifer Sale (Sale) prior to closing its accounting period and preparing its year-ending financial reports. Generally Accepted Accounting Principals (GAAP) and the accrual basis of accounting require the recognition of all revenue in the accounting period it was earned. Our office noted the Fair did not obtain sufficient documents pertaining to the Sale to determine its share of commission revenue. In addition, the Fair did not make an effort to estimate the commission receivable from the Sale at year-end.

Recommendation

6. *The Fair should comply with GAAP and the accrual basis of accounting by ensuring all revenues are properly classified in the correct accounting period they are earned. If all relevant information regarding the sale is not received by year-end, the Fair should make an effort to estimate its share of commission revenue at year-end.*

STANDARD AGREEMENTS

The Fair did not obtain approval from F&E for two multi-year standard 210 agreements totaling \$300,000 and \$97,726, respectively. According to F&E's Contracts Manual §1.2, Contract Review and Approval, all Fairs are required to obtain approval from F&E for (i) any multi-year agreements entered into, and (ii) all contracts exceeding \$75,000. The Fair is required to obtain an approval from F&E prior to entering into and the execution of the agreement since the Fair is under their jurisdiction.

Recommendation

7. *The Fair should comply with F&E's Contracts Manual §1.2 by ensuring F&E approval is received for all multi-year agreements and agreements exceeding \$75,000.*

SPONSORSHIP AGREEMENTS

The Fair did not forward sponsorship agreements over \$100,000 in value and term greater than two years to F&E for approval. Our office noted two multi-year sponsorship agreements, one with a value of \$123,000, that were not approved by F&E. According to the Food and Agriculture Code Section 4051.1, "written notification to the department shall be required ... prior to entering into any agreement ... if the agreement exceeds \$100,000 in value, [or] exists for a period of greater than two years."

Recommendation

8. *The Fair should comply with Food and Agriculture Code section 4051.1 by ensuring F&E's approval is received for all multi-year sponsorship agreements and agreements exceeding \$100,000.*

NON-REPORTABLE CONDITIONS

UNCASHED CHECKS

The Fair's operating, payroll, and junior livestock bank account reconciliations listed many checks totaling more than \$5,403, which remained uncashed for more than one year. According to the State Administrative Manual (SAM), funds may be reverted back to the operating bank account for any check remaining uncashed for more than one year.

Recommendation

The Fair should comply with SAM and revert all uncashed checks held over one year back to the related cash accounts. This process benefits the Fair by expediting the monthly bank reconciliation process since the ongoing tracking and disposition of hundreds of uncashed checks will no longer be needed.

CASH RECEIPTS

The Fair did not always deposit cash receipts on a timely manner. According to the APM § I, 2.331, timely deposits of cash receipts are essential to mitigate the possibility of a loss of funds by the Fair. Moreover, fairs are required to make bank deposits the next business day when currency exceeds \$500 or when cash in the aggregate exceed \$5,000. Furthermore, no collection should remain undeposited for more than fifteen business days. Our office noted the Fair allowed some deposits to exceed the threshold without making a bank deposit the next business day.

The Fair assigned one employee to deposit coin or currency exceeding \$3,000. Per SAM, Ch.8032.4, whenever coin and currency to be deposited exceeds \$3,000, two agency employees should be assigned to deliver the deposit jointly or two or more deposits may be made to reduce the cash transported at one time. A single employee should not transport more than \$3,000 in coin and currency at one time.

Recommendations

The Fair should ensure it deposits cash receipts within the timeframes specified in the APM. The timely deposit of cash receipts helps minimize the risk of loss or other misuses of the cash or cash equivalents collected.

The Fair should follow all the requirements of SAM, Section 8032.4 to further improve the safeguarding of cash.

DISTRICT AGRICULTURAL ASSOCIATION'S RESPONSE

REPORTABLE CONDITIONS

ATM RECONCILIATION

The Fair will complete timely monthly ATM reconciliations, that will include all monthly transactions, machine print outs, recorded balance changes, and bank account reconciled balances, utilizing the format suggested by the auditors

BANK RECONCILIATIONS

- a. The Fair will prepare bank reconciliations for payroll and JLA bank accounts in the preferred audit format, and assure that they contain sufficient detail, including cleared deposits, cleared checks and transactions. This should ensure paid checks and deposits are reconciled, and identify all current outstanding checks. This will be done within ten days of receipt of the statement.
- b. The CEO will initial and sign all bank reconciliations. In his/her absence someone other than the preparer will initial and sign all reconciliations.

PERSONNEL PROCEDURES

Through the use of outside contractors and private security services, we are working to allow our employees time off to alleviate excessive leave balances.

The Fair will continue to monitor the number of days worked by temporary employees and ensure employees will not work over 119 days.

The Fair will ensure that all permanent employee timecards are dated when signed and ensure that a member of the Board will review and sign CEO's timecard.

JUNIOR LIVESTOCK AUCTION

The Fair will undertake organization and management of both the Junior Livestock, and Dairy Replacement Heifer auctions to ensure all revenues are properly classified in the correct accounting period. By taking the sale in house, reconciliation will be available prior to the end of the year.

STANDARD AGREEMENTS

In the future the Fair will ensure it has received F&E approval for all multi-year agreements exceeding \$75,000.00

SPONSORSHIP AGREEMENTS

In the future the fair will comply with Food and Agriculture section 405.11, and assure F&E approval is received for all multi-year sponsorship agreements and agreements exceeding \$100,000.00

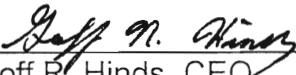
NON-REPORTABLE CONDITIONS

UNCASHED CHECKS

The fair will consider the suggestion to revert all uncashed checks back to the related cash accounts.

CASH RECEIPTS

The Fair will ensure cash deposits will be made within 24 hours when currency exceeds \$500.00, or cash in aggregate exceeds \$5,000.00. No collection shall exceed 15 business days. Anytime currency exceeds \$3,000.00 two agency employees shall be assigned to transport the currency.



Geoff R. Hinds, CEO



Peter E. Alvitre, Board President

Date: August 7, 2008

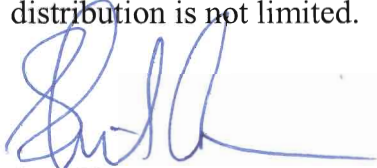
CDFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the 24th DAA, Tulare County Fair, for its review and response. We have reviewed the response and it addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between May 5, 2008 and May 16, 2008. My staff met with management on May 15, 2008 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.



For Ron Shackelford, CPA
Chief, Audit Office

May 16, 2008

REPORT DISTRIBUTION

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